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O 211033Z MAR 08 ZDK PER MULTI SVC
FM AMCONSUL JERUSALEM
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0930
INFO RUEHXX/ARAB ISRAELI COLLECTIVE PRIORITY

UNCLAS SECTION 01 OF 02 JERUSALEM 000493

SIPDIS

SENSITIVE
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NEA FOR FRONT OFFICE; NEA/IPA FOR
GOLDBERGER/SHAMPAINE/STEINGER;
PLEASE PASS TO USAID FOR ME/MEA:BORODIN/SEIFERT AND FOR
DCHA:HESS/GOTTLIEB/NOVICK/BORNS

E.O. 12958: N/A
TAGS: [ECON](#) [EAGR](#) [EAID](#) [KWBG](#) [PHUM](#) [IS](#)
SUBJECT: PA REJECTS USAID WHEAT FLOUR DONATIONS

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¶1. (SBU) Summary: The PA Ministry of Health (MOH) informed the World Food Program (WFP) and USAID on March 17 that Palestinian law requires that wheat flour processed more than six months prior is not suitable for consumption, and therefore that USD 7.2 million of USAID-donated wheat flour in West Bank/Gaza warehouses could not be distributed and would need to be removed or destroyed. WFP notified the MOH in writing that the wheat flour was fit for human consumption and that if the six-month rule is imposed, WFP will not be able to receive any in-kind donations and will have to stop a major part of its operation in the West Bank and Gaza (WB/G).

In response, Minister of Health Al Mughli notified WFP on March 19 that the six-month expiration was compulsory given "storage conditions within the territories" and therefore the "expired goods are not suitable for consumption." The Minister instead requested that the WFP advocate on the PA's behalf with the donor community for cash donations in lieu of in-kind contributions. The Consul General has spoken to PM Fayyad, who has intervened to block destruction of the wheat.

USAID, WFP and PA Ministry officials will meet on March 24 to discuss a way forward. End Summary.

PA Rejects USAID-Supplied Flour

¶2. (U) On March 11, the Ministry of National Economy inspected a WFP warehouse in Nablus and found the wheat flour stored inside to have been processed more than six months prior. The MOH on March 17 informed WFP that the PA policy stipulating that wheat flour must be distributed within six months of production would be applied to humanitarian shipments, including USAID in-kind food commodities. As a result of this decision, an estimated 22,900 metric tons of USAID-donated wheat flour - worth approximately USD 7.2 million - would have to be shipped out of WB/G or destroyed.

¶3. (U) On March 17, WFP Country Director Christine van Nieuwenhuysse wrote to Minister of Health Al Mughli asserting that the wheat flour was "definitely fit for human consumption." Nieuwenhuysse noted that USAID is by far the largest donor to WFP programs in WB/G and that it would be impossible for USAID, or any other donor, to make in-kind contributions that meet the six-month deadline for distribution. If the six-month rule is enforced, Nieuwenhuysse wrote, WFP would have to stop "a major part" of its work in WB/G, and food fit for human consumption will be returned to the U.S., "while the most vulnerable people in (WB/G) will be going hungry." (Note: Since 2007, USAID has supported the PA with in-kind wheat flour commodity

assistance worth USD 19.8 million and USD 7.9 million in cash for commodity purchases. End note.)

¶4. (U) On March 19, Al Mughli replied to WFP that the six-month expiration was compulsory given "storage conditions within the territories" and must be applied to humanitarian food shipments. The Minister asserted that the wheat flour in question is "not suitable for consumption." Noting that the ruling made in-kind wheat flour contributions impossible, the Minister requested that the WFP instead advocate on the PA's behalf with the donor community for cash donations in lieu of in-kind contributions. Alternatively, Al Mughli suggested that WFP provide in-kind donations of wheat, instead of flour, so that "flour may be produced locally using the national formula of fortification." According to WFP contacts, the Ministry of Health then ordered the wheat flour in question to be destroyed.

PM Fayyad Blocks Destruction of Flour
Ministries to Discuss with WFP on 3/24

¶5. (SBU) According to UN contacts, on March 19, Prime Minister Fayyad blocked the destruction of the wheat flour. As of March 20, no USAID-supplied wheat flour supplies have been destroyed by the PA. However, warehouses containing USAID wheat flour remain closed in Nablus, Jenin, Hebron, and Bethlehem.

¶6. (SBU) The Consul General raised the issue with Fayyad on March 20 and noted that application of the six-month rule to humanitarian shipments would almost certainly rule out future food support from the U.S. While the PM expressed concern that it would be difficult to treat U.S. wheat flour differently from other suppliers, he agreed to review the situation. As a result of the PM's intervention, the Ministries of Health and Planning will meet with USAID and WFP officials on March 24 to further discuss the situation.

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¶7. (U) Copies of the WFP and MOH letters are available on ConGen Jerusalem's unclassified intelink site at:
http://www.intelink.gov/communities/state/pal_econ

¶8. (U) This cable has been cleared by USAID WB/G.
WALLES